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A Study On The Effect Of Compensation Management On Employee Performance In Textile Industry With Special Reference To Preethi Silks Malappuram

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Abstract

Compensation management is the act of distributing some type of monetary value to an employee for their work by means of the company's policy or procedure. In basic terms, it is paying an employee based upon the decided pay and benefit package for the position. The goal of compensation management is to find quality people who perform quality work and then compensate them in order to retain them and reduce turnover rate. Some different type of compensation include salary, overtime pay, commission, bonuses, and benefit packages that might include health and dental insurance, vacation time, and retirement savings. In today's intensely competitive and global marketplace, competitive advantage lies not just in differentiating a product or service or in becoming the low cost leader but in also being able to tap the companies special skills or core competencies. Therefore skilled and efficient employees of a company are now considered as one of the core competencies of a company. To attain the objectives of a company HR plays a vital role and one of the most used tools by HR in order to ensure motivation for each and every employee is a satisfactory **"compensation package".** Employees need to be compensated for their efforts based on volume of production.

Key words: Compensation of employees, employee satisfaction

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Introduction

Compensation management and benefits are vital functions of human resource managing team of companies. It is very important to compensate employees for their contribution in business processes of company. Compensation is explained as all forms of financial rewards received by employees. It begins from their employment. It occupies a significant position in the employee's personal and official life. It has a substantial cost to the managers. Compensation is major human resource tools that organizations utilize to manage their employees. For an organization to get its money worth and encourage and hold skilled employees, it needs to guarantee that its compensation system is not an island by itself. It is important for firm to link compensation to its general goals and strategies as well as its compensation system to align with its human resource strategy.

Compensation management is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees. Compensation includes payments such as bonuses, profit sharing, overtime pay, recognition rewards and sales commission. Compensation can also include non-monetary perks such as a company-paid car, company-paid housing and stock options. Compensation assists to motivate the employees and enhances organizational effectiveness. Compensation displeasure can lead to absenteeism, turnover, job dissatisfaction, low performance, strikes and grievances.

Background of the study

Compensation plays an important role in an organization that wants to reach their objectives and their goals. It goes without saying that organization which does not properly manage this aspect of human resource activity very well, it will have a negative impact on total performance of their employees and impact on productivity. Compensation is the monetary benefit which is given to an employee or worker in return for their services to an organization. Compensation includes components like salary, wages, bonuses etc. Compensation management is the act of providing monetary value to an employee for the work they do by means of a company process or policy. Companies use compensation management in order to find, keep, and motivate employees to do quality work.

A compensation package does not necessarily mean rewarding in the monetary form. It also includes flexible benefits, medical care, work life balance, as well as employee perks.

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Today's employees not only work for the money, but also place equal emphasis on the aspect of compensation. The kinds of compensations that will motivate employees to give their best to influence performance positively, will depend on how much it addresses their need for status, security, and their survival need as postulated by Maslow in his hierarchy of needs.

It is an argument that mostly individuals having higher level of education are not found to be satisfied in their job and their turnover is more than those who are less educated. Hence the organizations have to overcome that problem by designing the compensation plan in an effective manner to attract, retain and motivate manpower. Employees are the important assets of the organization. This research study deals with identifying the impact of compensation system on employee performance. Organizational productivity depends on the employee's performance. If the problems of employees are addressed properly, organizational productivity can surely be increased.

Statement of the problem

Compensation is one of the important factor that affects the employee performance. A good compensation package is a good motivator. Hence the primary responsibility of HR manager is to ensure that the companies are well paid. Compensation is usually narrowed to cash and as a result, employers only have a tunneled vision when it comes to the issue of compensation for their employees. Employees themselves fail to recognize the fact that their compensation is a package not only related to cash. If compensation is poorly managed, most of the time performance of employees are affected adversely. Therefore the problem the researchers intend to investigate into, is to understand the effect of compensation system in an organization in employee performance.

Significance of the study

The study is designed to investigate the effect of compensation management on employee performance in the textile industry with special reference to PREETHI SILKS, MALAPPURAM. It is expected that it will help the management of PREETHI SILKS to provide possible solutions to their problems of compensation, productivity and employee performance.

Academically, this study constitutes or contributes in the field of increasing compensation and the employee performance in the textile industry with the emphasis on PREETHI SILKS.

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The study also give the researchers an opportunity to know more about PREETHI SILKS, MALAPPURAM.

Scope of the study

The study is designed to get an accurate idea about the usual compensation packages in the textile industry and how it influences employee performance. The research is confined to cover all departments in PREETHI SILKS MALAPPURAM. Population of the study includes both management and staff of the organization and covers a fair combination of male and female respondents.

Objectives of the study

To determine the effect of compensation management on employee performance.

Hypotheses of the study

H1: There exists a significant relationship between age of the employees and satisfaction in their current compensation packages.

H2: There exists a significant relationship between gender of the employees and satisfaction in their current compensation packages.

Research design

This is a descriptive and analytical study, which includes the observation of a samples selected from Preethi silks, Malappuram.

Research instrument

The research instrument for this study is a structured questionnaire, which is prepared after a vast review of literature on compensation management and employee performance.

Sampling

- ***Population***
  The target population is entire employees working in different departments in PREETHI SILKS MALAPPURAM.

- ***Sample size***

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The sample size consists of 50 respondents.

- **Sampling**
  Judgmental sampling was adopted for the study.

- **Inclusion criteria**
  Only those respondents who had at least 3 months of experience in Preethi Silks Malappuram and were willing to cooperate for the study were selected.

- ***Data collection***
  Data was collected from the respondents using structured interview schedule.

Data sources

- **Primary Data**
  Primary data was collected from the employees in Preethi silks, Malappuram using a structured interview schedule.
- **Secondary Data**
  Secondary data was collected from the firms records, publications in journals, newspapers and websites.

Data analysis and tools

Data was analyzed using SPSS software. Following tools were used for data analysis.

1. Paired t test
2. Simple percentages
3. Bar chart and pie charts

Limitations of the study

- Challenges were faced in the retrieval of interview schedules, as the respondents were very busy in handling their customers.
- This factor limited the time to seek clarification regarding certain responses.
- Chance of respondent bias can happen.

Data analysis and interpretation

Age of employees

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The level of employee performance, satisfaction in compensation packages etc are influenced by the age group of employees. Hence classification of respondents based on age group is made in Table 1.

Table 1: Classification of respondents on the basis of age group

From Table 1 we can see out of 50 respondents, majority of the respondents (58%) are in the age group '18-25', followed by 20% respondents in the age group '26-35' years, 18% respondents in the age group '36-45' years and the least (4%) respondents in the age group '> 45'.

Gender of respondents

Gender of the employees influence their level of satisfaction, performance, response to different compensation practices etc. Hence classification of respondents based on their gender is made in Table 2.

Age group		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	29	58.0	58.0	58.0
	26-35	10	20.0	20.0	78.0
	36-45	9	18.0	18.0	96.0
	Above 45	2	4.0	4.0	100.0
	Total	50	100.0	100.0	

Table 2: Classification of respondents on the basis of gender

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	23	46.0	46.0	46.0
	Female	27	54.0	54.0	100.0
	Total	50	100.0	100.0	

From Table 2 it is clear that majority of the respondents (54%) are female and the rest of respondents are male (46%).

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Educational background of respondents

Educational background of respondents is a major factor which can determine their personality and attitude towards work. Hence classification of respondents based on their educational background is made in Table 3.

Table 3: Classification of respondents on the basis of educational background

Educational background		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High school	16	32.0	32.0	32.0
	Intermediate	20	40.0	40.0	72.0
	Graduate	13	26.0	26.0	98.0
	Post Graduate	1	2.0	2.0	100.0
	Total	50	100.0	100.0	

From Table 3 it is clear majority of the respondents (40%) have their educational qualification 'intermediate', followed by 'high school' (32%), 'graduate' (26%) and least (2%) are 'post graduates'.

Level of employment of respondents

Nature of job of respondents is a major factor which can determine the effectiveness of retention strategies and the level of satisfaction of employees. Hence classification of respondents based on their level of employment is made in Table 4.

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Table 4: Classification of respondents based on level of employment

Level of employment		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Top management	1	2.0	2.0	2.0
	Middle level management	5	10.0	10.0	12.0
	Executive	11	22.0	22.0	34.0
	Associate	21	42.0	42.0	76.0
	Trainee	12	24.0	24.0	100.0
	Total	50	100.0	100.0	

From Table 4 it is clear that 42% respondents are ‘associate’ level employees, 24% respondents are ‘trainees’, 22% respondents are from ‘executive’ level, 10% respondents are ‘middle level’ employees and the least (2%) belong to ‘top level management’.

Length of Service of Respondents

The length of service is an important factor that helps to understand more about compensation management practices in the organization. Hence classification of respondents based on their length of service in the organization made in Table 5.

Table 5: Classification of respondents on the basis of length of service

Length of service		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-1 year	21	42.0	42.0	42.0
	2-3 years	13	26.0	26.0	68.0
	3-4 years	10	20.0	20.0	88.0
	above 5 years	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

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Table 5 shows that the 42% respondents have a work experience of ‘0-1 year’, 26% respondents have experience of ‘2-3 years’, 20% respondents have experience of ‘3-4 years’, and 12% respondents have experience of ‘> 5 years’.

Income Level of Respondents

Amount of salary provided to employees influence heavily on job satisfaction and employee retention in an organization. Hence classification of respondents based on their level of income is made in Table 6.

Table 6: Classification of respondents on the basis of monthly income

Monthly income (Rs.)		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 10000	12	24.0	24.0	24.0
	10,000-15,000	31	62.0	62.0	86.0
	15,000-25,000	7	14.0	14.0	100.0
	Total	50	100.0	100.0	

As evident from the Table 6, bulk of respondents (62%) have their monthly income Rs. ‘10,000-15,000’, followed by 24% respondents in Rs. ‘< 10,000’ category and 14% respondents in Rs. ‘15,000-25,000’ categories.

Role of compensation management in an organization

Compensation plays a very important role in attracting the best talent in the organization, as well as, retaining them for a long time. It helps in creating a solid human resource base in the organization which enhances the productivity, efficiency and overall quality in the organization. Hence classification of respondents based on their opinion about role of compensation management in an organization is made in Table 7.

Table 7: Role of compensation management in an organization

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Role of compensation management		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employer's legal obligation	5	10.0	10.0	10.0
	Motivates employees to work hard	11	22.0	22.0	32.0
	Employees basic needs	31	62.0	62.0	94.0
	Organization image	3	6.0	6.0	100.0
	Total	50	100.0	100.0	

Table 7 indicates that 62% respondents consider the role of compensation in an organization as to ‘meet basic needs of employees’, 22% respondents consider it as a ‘motivation for hard work’, 10% consider it as ‘employer’s legal obligation’ and 6% consider it as an ‘organisational image’.

Testing of hypotheses

H1: There is a significant relationship between age of the employees and their level of satisfaction about their current compensation packages.

H2: There is a significant relationship between gender of the employees and their level of satisfaction about their current compensation packages.

Table 8: Relation between age & employee satisfaction, gender & employee satisfaction

Paired Samples Test

	Paired Differences					T	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			

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Pair 1	Age - Satisfaction in current compensation packages	.00000	1.22890	.17379	-.34925	.34925	.000	49	1.000
Pair 2	Gender - Satisfaction in current compensation packages	-.14000	.98995	.14000	-.42134	.14134	-1.000	49	.322

In case of pair 1 value of 't' is .000 and p value (paired value) is 1.000. It indicates that the value of t is less than the value of p therefore accept null hypothesis (H0) and reject alternative hypothesis (H1). That means there is no significant relationship between age and employee satisfaction in current compensation packages.

In case of pair 2 value of 't' is -1.000 and p value (paired value) is .322. It indicates that the value of t is less than value of p therefore accept null hypothesis (H0) and reject alternative hypothesis (H2). That means there is no significant relationship between gender and employee satisfaction in current compensation packages.

Findings

- Out of 50 respondents, majority of the respondents (58%) are in the age group '18-25', followed by 20% respondents in the age group '26-35' years, 18% respondents in the age group '36-45' years and the least (4%) respondents in the age group '> 45'. It indicates that the firm is providing employment mainly for youth.
- Majority of the respondents (54%) are female and the rest of respondents are male (46%).
- Majority of the respondents (40%) have their educational qualification 'intermediate', followed by 'high school' (32%), 'graduate' (26%) and least (2%) are 'post graduates'. This shows that level of education is not a criteria to get a job in this firm.

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- 42% respondents are ‘associate’ level employees, 24% respondents are ‘trainees’, 22% respondents are from ‘executive’ level, 10% respondents are ‘middle level’ employees and the least (2%) belong to ‘top level management’.
- Out of 50 respondents 42% respondents have a work experience of ‘0-1 year’, 26% respondents have experience of ‘2-3 years’, 20% respondents have experience of ‘3-4 years’, and 12% respondents have experience of ‘> 5 years’. It can be inferred that many of the employees are comparatively freshers.
- Bulk of respondents (62%) have their monthly income Rs. ‘10,000-15,000’, followed by 24% respondents in Rs. ‘< 10,000’ category and 14% respondents in Rs. ‘15,000-25,000’ categories. None of them gets monthly income above 25 thousand.
- The result of paired sample t test shows that there is no significant relationship between age of respondents and their job satisfaction.
- It was also observed that there was no significant relation between gender of respondents and their job satisfaction in their current compensation packages.

Suggestions

- Management can try to improve the management of compensation in their organization than current level. It may help to improve employee performance.
- Management can try to implement more compensation packages among all level of employees.
- Management may implement free medical service and free medical insurance for employee’s welfare.
- Management can consider of maintaining better relation with the employees.

CONCLUSION

The result of this study points out that the compensation management had an effect on employee performance. This is based on the employees opinion about influence of well defined compensation management on employee performance. Majority of the employees working in PREETHI SILKS, MALAPPURAM were satisfied with their current compensation packages provided by the organization. The management team of Preethi Silks is highly organized and efficiently communicates to the employees all information related to the compensation packages of the employees, so that they will hardly face any challenges in the case of compensation policy of the management. The study helped to get a lot of

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experience and knowledge about the attitude of the employees towards their job, commitment to the management, compensation packages available to employees etc. It also helped to know more about Preethi silks and management. The project may help the company to give more importance in certain areas related to compensation management and employee performance.